

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 11, 2006

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #107: RETIREMENT CONTRIBUTIONS

This is in response to Councilmen Krupicka and Smedberg's request for information regarding the percentage of salary that Police Department employees, City employees and School employees contribute to their retirement programs. The Employer share of the Virginia Retirement System (VRS) is 6.66% and the Employee share is 5%, which the City pays as well. The City also pays 5.32% of salary towards the City Supplemental Plan.

City and School employees contributed 1% of their salary towards Supplemental Retirement and 5% of their salary towards VRS until the City began covering employee shares as of FY 1983. Since then, City and School employees have not been required to contribute any portion of their salary to their retirement plans. *As part of the FY 1983 budget adoption, City Council adopted the City Manager's recommendation to provide funds for City assumption of the 5% employee cost of VRS in lieu of a 5% general wage adjustment. This also applied to employees of the Alexandria Schools.* Prince William County, whose general employees are also in VRS, had taken a similar action the previous year. General and uniformed employees in Arlington and Fairfax Counties are in County established and managed retirement systems and therefore are not in VRS.

In the same FY 1983 budget, City Council approved funds to improve the fringe benefit package for general City employees by having the City assume the costs for the general employees' 1% contribution to the City's supplemental retirement program. This change was also implemented for School employees. The budget text noted that "Efforts have been made to assure that the general levels of pay and benefits for City and School employees were approximately of the same magnitude." Alexandria's sworn police and fire personnel who were in the public safety retirement system received a 5% wage adjustment in FY 1983.

Alexandria uniformed Police and Fire employees contribute 7.5% of salary towards their pension plan and 0.5% towards their disability plan. This 7.5% started in mid FY 2004 to pay for increased benefits, which police officers and fire fighters requested as part of the City conversion from a defined contribution to a defined benefit retirement plan. The City budgets 22.35% of uniformed Police and Fire employee salary for retirement and disability.

The total cost of the estimated FY 2007 VRS and City Supplemental pension plans is \$27,241,555.

The chart below shows the employee contribution rates among jurisdictions.

	Alexandria	Loudoun	Prince William	Prince George	Arlington	Fairfax	Montgomery
City/County	0.00%	0.00%	0.00%	3.29%	4.00%	4.0 / 5.33% ²	4.00%
Police	8.00%	0.00%	1.37%	5.5 / 7 / 8% ¹	5.00%	12.00%	4.75%
Schools	0.00%	0.00%	0.00%	2.00%	0.00%	4.0 / 5.33% ²	2.10%

¹Prince George's County Police have three contribution rates, based on three levels of pay (min, mid, max).

²Fairfax County offers two plans. For Plan A, the rate is 4% up to the Social Security Wage Base and 5.33% thereafter. Plan B is 5.33% of salary.

cc: Rebecca Perry, Superintendent, ACPS